

DOCKET NO. 93-747-C - ORDER NO. 94-107

Application of LCI Telecom South,)
Inc. for Approval of Asset Transfer) ORDER
and for a Certificate of Public) APPROVING ASSET
Convenience and Necessity to Operate) TRANSFER AND
as a Reseller of Telecommunications) CERTIFICATE
Services in South Carolina.)

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of LCI Telecom South, Inc. (LCI Telecom or the Company) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of telecommunications services in the State of South Carolina. LCI Telecom also seeks approval for the transfer of assets from Teledial America of North Carolina, Inc. to LCI Telecom. LCI Telecom's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Law. Co-op. 1976), as amended, and §58-9-310 (Law. Co-op. 1976), as amended, and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed LCI Telecom to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Company's Application. The purpose of the Notice of Filing was to inform interested parties of LCI Telecom's Application and the manner and time in which to file the appropriate pleadings for participation

in the proceedings. LCI Telecom complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was filed by Southern Bell Telephone and Telegraph Company (Southern Bell). No other Petitions to Intervene or Protests were received by the Commission. Southern Bell has now filed a Motion to Withdraw Intervention in this Docket.

James D. Heflinger, Vice President and General Counsel of the Company, submitted verified testimony on behalf of LCI Telecom. Mr. Heflinger described the asset purchase agreement which LCI Telecom seeks to have approved. According to Mr. Heflinger, LCI International Management Services, which is the parent company of LCI Telecom, has entered into a purchase agreement with Teledial America of North Carolina, Inc. (Teledial). Pursuant to the purchase agreement, LCI International Management Services has the right to purchase all of the assets, both tangible and intangible, used and useful in the operation of Teledial's business. Mr. Heflinger also explained that prior to the consummation of the asset purchase LCI International Management Services intends to assign all, or substantially all, of its rights under the asset purchase agreement to LCI Telecom. Mr. Heflinger explained that if the Commission approves the asset transfer and grants the appropriate authority, LCI Telecom will receive the assets of Teledial and will use the acquired assets of Teledial to operate as a reseller of telecommunications services in South Carolina.

Mr. Heflinger also explained LCI Telecom's services and its request for authority. According to Mr. Heflinger, LCI Telecom

proposes to offer intrastate interLATA long-distance telephone service to its customers. LCI Telecom proposes to serve the entire state and intends to offer calling card services, operator services, and equal access service in addition to basic resale service. Mr. Heflinger stated that LCI Telecom intends to use MCI, Sprint, or AT&T, or a combination of the three, as its underlying carrier. Mr. Heflinger said that LCI Telecom does not intend to offer any 900 number services but does plan to offer 800 number services.

Mr. Heflinger also testified about LCI Telecom's managerial and technical abilities and described the background of key personnel in these areas. Mr. Heflinger endorsed LCI Telecom's financial ability to provide the services which it proposes in its Application. Further, Mr. Heflinger testified that approval of LCI Telecom's Application would serve the public interest by creating greater competition in the interexchange marketplace and by providing customers with a greater choice of services through innovative, diversified, and reliable service offerings at competitive rates.

After full consideration of the applicable law, the Company's Application, the Motion to Withdraw filed by the only Intervenor, and the testimony presented by the Company, the Commission determines that it will consider the Company's Application without a hearing and hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. LCI Telecom is incorporated under the laws of the State of Delaware, and is licensed to transact business as a foreign corporation in the State of South Carolina by the Secretary of State.

2. LCI International Management Services, the parent company of LCI Telecom, has entered into an agreement with Teledial America of North Carolina, Inc. under which agreement LCI International Management Services has the right to purchase all of the assets of Teledial used and useful in the operation of Teledial's business. Teledial was granted a Certificate of Public Convenience and Necessity to operate as a reseller of telecommunications services by the Commission by Order 92-113 dated February 13, 1992. Prior to the consummation of the asset purchase, LCI International Management Services will assign its rights under the asset purchase agreement to LCI Telecom. After the asset purchase is consummated, LCI Telecom will use the assets of Teledial in its operations as a reseller of telecommunications services.

3. LCI Telecom operates as a non-facilities based reseller of interexchange services and wishes to do so in South Carolina.

4. LCI Telecom has the experience, capability, and financial resources to provide the services as described in the Application.

CONCLUSIONS OF LAW

1. The Commission concludes that it is in the public interest to approve the transfer of Teledial's assets to LCI International Management Services and ultimately LCI Telecom. Consequently, the Commission approves the transfer of assets in accordance with the

Company's Application and Mr. Heflinger's testimony. LCI Telecom shall notify all customers affected by the asset transfer of the change in their long distance provider, shall advise the customers that they may select the carrier of their choice, and shall provide notice of discontinuance of any of Teledial's service offerings and of any rate changes.

2. The Commission concludes that the motion of Southern Bell to withdraw its intervention in this Docket should be granted.

3. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to LCI Telecom to provide intrastate interLATA service through the resale of intrastate Wide Area Telecommunications (WATS), Foreign Exchange Service, Private Line Service, operator-assisted telecommunications services, or any other services authorized for resale by tariffs of carriers approved by the Commission.

4. The Commission adopts a rate design for LCI Telecom for its resale service which includes only maximum rate level for each tariff charge. For intrastate interLATA operator assisted collect and calling card calls, LCI Telecom may not impose a fixed operator service charge more than the intrastate charges then currently approved for AT&T Communications, and for the usage portion of the call, LCI Telecom may not charge more than the intrastate rates charged by AT&T Communications at the time such call is completed. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has previously been adopted by the Commission. In Re: Application of

GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984). The Commission approves LCI Telecom's proposed maximum rate tariffs.

5. LCI Telecom shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. LCI Telecom shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of LCI Telecom's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Law. Co-op. 1976), as amended.

6. LCI Telecom shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. Further, the revised tariff shall be filed with the Commission in a loose-leaf binder.

7. LCI Telecom is required to provide information pieces (such as "tent" cards and stickers) to hotels and motels and customer-owned pay telephones for placement on and next to the telephones. The information pieces shall identify LCI Telecom as

the provider of operator service for intrastate interLATA distance calls. LCI Telecom is required to brand all calls identifying itself as the carrier for the hotel, motel, or pay telephone provider. The information pieces shall be consistent with the format approved by the Commission in Order No. 93-811 issued in Docket No. 92-557-C.

8. LCI Telecom shall be allowed to incorporate in its tariff a surcharge to be applied to operator-assisted and calling card calls originated from hotel, motels, and customer provided pay telephones only if the property owner or pay telephone provider has not already added a surcharge. That is, the company may not impose an additional surcharge to calls originating from hotels, motels, and customer owned pay telephones if such a surcharge has already been imposed by the property owner. The amount of such surcharge shall not exceed \$1.00. Further, if the surcharge is applied, the end user shall be notified of the application of the surcharge. Notification of this surcharge shall be included in the information pieces, such as tent cards and stickers, identifying LCI Telecom as the operator service provider for the pay telephones and guest phones. Any surcharge added to the charges for a call on behalf of a property owner shall be returned to the property owner.

9. LCI Telecom shall comply with and abide by the Operator Service Provider Guidelines approved in Order No. 93-534 issued in Docket No. 93-026-C (June 28, 1993).

10. LCI Telecom is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to

facilities-based interexchange carriers.

11. With regard to LCI Telecom's resale of service, an end user should be allowed to access another interexchange carrier or operator service provider if they so desire.

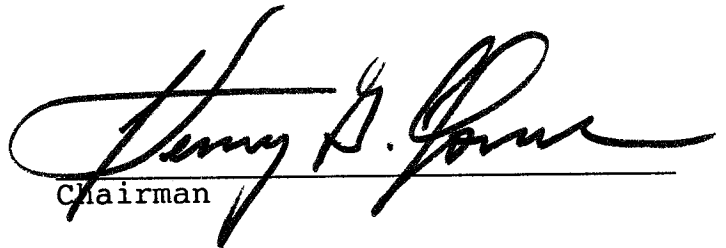
12. LCI Telecom shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If LCI Telecom changes underlying carriers, it shall notify the Commission in writing.

13. LCI Telecom shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993).

14. LCI Telecom shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION, MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER DEPOSITS.

- (4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3 ABOVE).